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On the Common Christian Responsibility Toward Areas of Rapid Social Change

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EUROPE AND THE UNDERDEVELOPED COUNTRIES

by

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This report by Prof. Philip was presented recently to a Conference of European political leaders from various parties concerned with the problems of European unity and European aid to underdeveloped countries. Prof. André Philip is a well-known Protestant layman in France, a member of the French Economic Council and has been for many years the leader of the French delegation at the annual meeting of the United Nations' Economic Commission for Europe. He is also a member of the Working Committee of the World Council's Department on Church and Society.

As in the case of previous papers in this series, Prof. Philip's provocative and incisive statement is issued for study and as a basis for discussion. We welcome comments on any aspect of his paper.

(Translated from the French)

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EUROPE AND THE UNDERDEVELOPED COUNTRIES

by

Professor André Philip

I. UNIVERSAL ASPECTS OF THE PROBLEM

A. The situation of the underdeveloped countries

1. An underdeveloped country is a country which lacks capital in relation to its population and to its existing resources. The concept of an underdeveloped country is not identical with that of a poor country. A country like Canada which is already rich can be underdeveloped to the extent that it only partially uses its existing resources. A poor country like Iceland cannot be considered underdeveloped if there is at the moment nothing to develop. Moreover, the concept may vary with the times. Scientific progress may create new possibilities which were previously unknown. In fact, this report will deal exclusively with a special category: the countries which are at present poor and underdeveloped.

2. The underdeveloped countries are characterized by low income, bad conditions of health, malnutrition and short life expectancy.

3. The gap between the underdeveloped countries and the others is getting greater. The percentage of the world population which is undernourished increased from 38.6% before the war to 59.5% today. The disparity in the standard of living between India and the United States doubled between 1938 and 1952, the ratio going from 1:15 to 1:35. Consumption per person has diminished. The people of these countries are losing the hope of achieving a western standard of living, at the very moment when they are becoming better acquainted with its advantages.

4. The situation is made worse by the very fact that it is better known. The radio and films have given rise to new desires. The extent of the needs is increasing in the underdeveloped countries more rapidly than the possibility of satisfying them.

B. The facts of the problem

1. The situation of the underdeveloped countries is completely different from that of Europe at the beginning of the 19th century. When the Industrial Revolution came to Europe there had existed for two centuries a commercial and financial capitalism. The people's way of life had adapted itself slowly to a market economy, with its new rationality of production and consumption. Puritanism had developed the notion of saving as a virtue and of work as vocation. Finally, the agricultural revolution had preceded the industrial revolution creating a surplus of manpower which industries were able to absorb. Further, the development of modern means of transportation was creating unified markets thus providing for the new products. In the underdeveloped countries one very often struggles against a feudal system where an ensconced aristocracy is opposed to indispensable reforms. The prevailing attitude towards life is based on the clan, the preference shown

to the group appearing as the supreme virtue. The religions of these countries are uninterested in the world; manual work and enterprise are despised. Furthermore, agricultural methods are very retarded and the ruling regime is an obstacle to modernisation. A real political and social revolution is indispensable and the pre-condition to an efficacious economic development.

2. These countries, whether they are colonies or are nominally independant, are economically dependent upon the great industrial powers, in particular upon the United States. They produce mainly raw materials or agricultural products sold at unstable prices, and for the purpose, not of assuring national development, but of satisfying the needs of international buyers. There is a conflict between the investments in mines and plantations and the necessity of the economic development of the country.

3. Economic development is possible only by means of planning which seeks to coordinate investment and the programmes of production.

i. Investments, in the new countries, are more expensive than in already developed countries. In the West a new factory is integrated into an existing industrial set-up. In underdeveloped countries it is necessary at the same time to create roads, schools, power stations. The capitalist idea of profitability cannot be applied. There are high costs of research and experimentation, the social costs of the total economy which cannot be apportioned.

ii. All effective investment therefore supposes a systematic inventory in order to develop in the right order the different projects and works, (power dams, cement industry) to reduce bottlenecks and to foresee needs. All effort at industrialisation supposes a quantity of unskilled labour and previous training of a professional corps, the construction of means of communication and the sources of power corresponding to the foreseeable needs for at least ten years.

iii. In the underdeveloped countries a specialised and limited investment does not bring with it the development of the whole economy as in the industrialised countries. The specifically local capital impulses are neither transmitted nor amplified. If one wishes to develop the economy of the country, it is necessary to make an attack on a broad front applying capital to a great variety of complementary projects, creating industries capable of becoming reciprocal consumers in relation to each other. An initial investment cannot by itself be profitable but provides the fundamental capital goods which alone makes possible the change of economic milieu. It is necessary also that production be closely accompanied by an organisation of distribution, capable of creating a market sufficient to serve as an outlet for the goods produced.

iv. Finally, there are not in these countries experienced capitalist entrepreneurs. It is the state which must inevitably take the leadership in economic life and make the basic investments. The character of these will vary according to whether a country is relatively underpopulated or over-populated.

4. Some of the underdeveloped countries are relatively under-populated in relation to the land and the available raw materials. This is the situation in South America and with some qualifications in Africa, South of the Sahara.

i. In these countries it is of fundamental importance to improve agricultural production. By these means a part of the population can be freed for industry. If industrialisation comes before this, the demand for unskilled labour would bring with it a reduction of agricultural production, and consequently an inflation with a lowering of the standard of living of all. The fate of industry depends therefore on the extent to which a previous agricultural progress has permitted a reduction in the cost of subsistence, whether by producing agricultural goods destined for export and permitting the import at low prices of other foodstuffs, whether, as a preference, by developing new methods of farming which permit the indigeneous population to improve its standard of living and to form little by little an internal market. This is easier if the land is productive as in South America, more difficult in equatorial Africa where the soil in general is not fertile. It is necessary nevertheless in both instances to follow a policy based on the village, seeking to safeguard the structure of life, and to construct economic life on the basis of agricultural cooperatives.

ii. When the technical progress of agriculture has permitted the freeing of sufficient manpower, progressive modern industry can be created. Labour being scarce, it is necessary to pay relatively high wages to mechanise to the maximum, and develop professional training in order to create a qualified labour force. Investments necessarily involve a high degree of capitalisation wherever raw materials are abundant. The great modern industries, including the aggregations of heavy industry must be sought for. It is possible for this purpose to attract capital from outside by offering it an adequate return which is related to the possibility of selling the manufactured products abroad at stable prices. But this modern industrialisation must not be undertaken in an isolated way with the danger that it will destroy the basic agricultural economy and end in a rise in the cost of subsistence and in a breakdown of social solidarity. A programme of industrialisation must be accompanied by at least equal outlays for the development of cooperatives in the agricultural field, professional training and by expenditures for social services.

5. But the greater part of the underdeveloped countries find themselves in over-populated areas. This is the case in particular of Asia and North Africa.

i. In these areas it is very difficult to improve conditions of agricultural production. There is a considerable waste of labour on the land and a hidden unemployment. Technical progress in agriculture in order to lower the price of foodstuffs would imply a new displacement of labour by the machine, and consequently an immediate worsening of the situation of the population. It is not possible to introduce better agricultural methods before the excess population has been drawn off the land.

ii. In these countries industrialisation must come first, improvements in the technique of agriculture can only come afterwards, when work has been provided for the entire labour force.

iii. The surplus population can be rapidly employed in the formation of such basic capital goods as roads, houses, transport, irrigation, and drainage. The unemployment hidden in agriculture represents a certain potential saving and the capital goods can be increased without notably diminishing consumption if it continues to take place in the old rural framework. It is a question therefore, not of creating great schemes of public works which tears the population away from the villages and makes necessary the additional expenses of food and housing, but rather what is desired is a comprehensive programme of little local projects under the form of cooperative groups of villagers working to improve their conditions of life and to establish links between the villages.

iv. Villages to be created. The industries created must not be of a great intensity of capital. There is no need of a bulldozer, on the contrary, preference must be given to those industries where the proportion of the wages in relation to gross value of production is the highest, as for example, in textiles. It is a question of small enterprises created with the help of local societies putting local saving at the service of rural industries. It is necessary to produce the small implements used for agriculture and to develop the industries which do the first processing of agricultural products, or which permit the direct satisfaction of the needs of the rural consumers. Thus, in Japan, industrialisation takes the form of small industries making clothing necessary for the rural population, or preparing parts of products which will finally be assembled in a larger factory. Without doubt, it is necessary to put aside funds for creating sources of power but here again it is the multiplication of little waterfall power projects that is more advantageous than the construction of a big and publicized dam. It is a question primarily of avoiding the great industrial concentrations which attract to the shanty towns a disoriented labour force and to assure the progress of a renovated or cooperative artisan industry in the traditional village framework.

C. <u>How to obtain capital</u>

1. For such a programme of economic development how can the necessary capital be obtained? There are three possible sources: national saving, the income from exports, and international investments.

i. National saving is extremely weak in these countries, as much because of the desperate poverty of the mass of the population, as of the enormous social inequality which results in a bad use of the little saving which exists. The aristocratic and wealthy classes spend their income ostentatiously to provide social prestige rather than economic return. This prestige is linked with property in land, houses, and cattle, used in religious festivals but not sold commercially. It is the ability to spend in public which determines the position of a person in the community. At the same time usury is so profitable that industrial investment which gives a return only after a long period is not attractive.

ii. Even when the income of such countries increases the desire to consume grows in still greater proportions. Saving depends less on their real income than on the relation between their income and the income of the countries with which they are in contact. The simple awareness of western commodities and the publicity of the radio and the cinema increases their wants and it is easier to adapt oneself to the habits of greater consumption than to the better techniques. This necessitates that the new countries, if they are to avoid pressures of consumption which put income above that which is justified by the capacity of production, establish an iron curtain in their relation with the other countries. Not only Russia, but also Japan during its industrialisation at the end of the 19th century have done this.

iii. In order to provide for the autonomous formation of capital the State must require saving and reserve to itself the greatest part of income. It is necessary to tax luxury expenditure and the accumulation of saving, while exempting investments. It is necessary to tax agriculture in order to subsidize new industry, to stimulate production by reducing mass consumption. That inevitably involves in a first stage, a further increase of misery, in order to bring into being the necessary capital through methods which in the beginning are primitive.

iv. This difficult policy will have to be maintained for two or three decades before there will be a real expansion of production. Such forced saving is incompatible with democracy. The new countries in which the forms of western democracy have been introduced have experienced insurmountable difficulties, the ruling classes using democratic forms in order to establish their political influence and blocking necessary transformations. An authoritarian state is indispensable to break old traditions, organize the economy, direct capital, and assure the indispensable planning for the exploitation of resources. Forced saving requires a discipline imposed by means of myths appealing to the emotions. The negative myths are more easily spread than the positive myths. The regime establishes itself more easily against an adversary and this produces the nationalist spirit which is characteristic of all countries beginning their economic development. But economic development is only possible by using authoritarian methods imposing a social revolution and replacing the former aristocratic and feudal classes by a small modernised élite. This group will, according to circumstances, come from the university, the army, or from the bourgeoise merchant and trader class appearing in the cities. In either case, this authoritarianism will bring grave economic and political risks, the new élite seeking privileges and making it difficult to avoid corruption. But this authoritarian approach will characterize the period of transition and will be all the more noticeable as the countries in question must depend for their development on the formation of their own national capital. A greater degree of liberty and real democratic evolution can be achieved where national savings are only supplemented or completed by foreign aid.

2. Foreign aid must first take the form of ceasing to plunder the underdeveloped countries before it can bring something to them. For, it is true at present, that the underdeveloped countries, whether dependent or independent, are in reality exploited by the great industrial powers because of the instability which characterises the price structure for raw materials.

i. At the present time, the underdeveloped countries depend essentially for their existence on the export of primary agricultural products or on raw materials for industry. Cotton makes up 77% of the exports of Egypt. Iran and Venezuela depend on oil, the one for 73%, the other for 92% of its exports. Two products constitute 69% of the exports of Chile. Taking together all of the underdeveloped countries, the exports of a very few products represent 20 to 30% of their entire income.

ii. The prices of these exported goods are fundamentally unstable. In the period 1870-1947, the terms of trade between raw materials and the manufactured goods became more and more unfavourable to the underdeveloped countries, their relation going from 100 to 68.7. From 1947 to 1952, the movement was reversed but since 1952, it has again become unfavourable to the underdeveloped countries. It is difficult to say today if the long run development will favour primary products or not. One thing is certain: These prices are particularly sensitive to international trade movements and vary considerably and rapidly. During a half century there has been an annual average fluctuation of 14% in the price of the 18 principle raw materials, of 19% in volume and 23% in the total of revenue from exports.

iii. This instability creates considerable difficulties in the balance of trade of the affected countries. When their exports grow in volume or in price, the result is an increase of the money income of the capitalist minority, often foreign, who are engaged in the sale of these products. This supplementary income is not spread through the economy but in general leads to the import of luxury goods and an increase in the demand for the national products which brings about a rise in prices. When exports diminish the budgetary receipts are threatened, factories close, and workers return to the village; the situation of the farmers is worsened and they fall back on the local closed economy. In addition, since the capacity to absorb capital goods varies little from one year to another, this instability upsets all the calculations of cost and is an obstacle to the realisation of any programme of economic development. It is therefore indispensable to conclude international agreements to limit these violent long term fluctuations and to establish a minimum of stability in fixing a relation between the real capacity for import in terms of the unit exported. Unfortunately, faced until now with the unwillingness of the interested parties, particularly of the United States, all efforts tending toward a stabilisation of the prices of raw materials have ended in failure and world prices have in fact been determined by the trend of American demand. It is therefore the fluctuations of business in the United States and the measures taken to maintain full employment in America which cause in the rest of the world, variations which are an obstacle to economic development.

iv. It is normal that the underdeveloped countries should refuse to put themselves in a position of greater dependence on international commerce, as long as they do not have guarantees of markets and of the possibility of diversifying their economy. The attempts of G.A.T.T. to develop free international trade and to reconstitute a world market are nothing but hypocrisy. The underdeveloped countries in order to buy the necessary capital equipment must be able to make long term agreements to secure not only the plants but also the technicians to train their personnel. They must be able to restrict the import of consumer goods, especially luxury goods. The new enterprises in a country where an internal market still does not exist, are unable at the beginning to be competitive and must be protected. The new countries have need to maintain exchange control and quantitative restrictions in order to protect their reserves and to assure a rational division of their resources.

3. But it is not sufficient to stabilize the price of raw materials. It is necessary to promote the economic development of the underdeveloped countries by a systematic policy of international investment. Such international investment occurred in the 19th century when for 75 years Great Britain invested in the new countries of that time 7% of its national revenue. Today the situation is:

i. Private international investments remain minimal. From 1946 to 1953, the United States loaned only 623 million dollars per year in this manner. Marx, and following him Hilferding, believed that capitalism had to export capital in order to sell its goods. It is unfortunately no longer true. The great national economic powers such as the United States are strong enough to assure full employment in a national framework; it is rather in countries like Germany, Switzerland, Belgium or Scandinavia that capital can be interested in possible investment, as for example, in North Africa. But even in this case, it is also true that the rates of interest are not high enough to compensate for the risks which capital takes in foreign loans in our contemporary world.

ii. The greatest part of this minimal private investment takes the form of direct investment by those firms which operate abroad. From 1947 to 1949, 93% of private American investment abroad was direct investment. 90% has been due to the petroleum industry. This type of investment reinforces the system of specialisation of the new countries in the production of raw materials and of food for export, and does not meet the needs of an internal market but the momentary demands of the international market. This is acceptable in certain conditions. In the countries which are under-populated it is possible to set up modern industries, but this would be a catastrophe for the over-populated countries because it would orient economic life in the worst direction. Investments in oil, in particular, are only superimposed on retarded economies, the royalties paid to the Arab sultan being squandered in luxury expenditures, consecrated to corruption with no influence whatever on economic life.

iii. The present international institutions now functioning are incapable of resolving this problem. The International Bank is only able to finance the profitable projects, those capable of assuring the subsequent servicing of the debt by exporting sufficient to obtain abundant foreign exchange. In eight years it has loaned only 2 billion dollars and its president believes that it is not designed to respond to present needs.

The enlarged programme of technical assistance involves only 25 million dollars of expenditures each year. It seems useless to give good advice to people if they cannot be helped to profit from it. The greater part of the experts are agreed in saying that in order to insure progress for the underdeveloped countries in the order of 3% per year, it would be necessary to expend 14 million dollars each year, of which 10 are furnished as external aid in the form of gifts. This would represent only 2.6% of the income of the industrialised countries, hardly a third of that which Great Britain made in the 19th century.

The fundamental problem is thus posed. Are the developed countries capable of making the necessary sacrifices in order to promote the economic progress of the retarded countries? Will they know how to make investments which correspond to the needs of today and to bring capital no longer for the cultivation of plantations or the mining industries but for the creation of an economic and social structure which permits the development of these countries? Will they be capable of making an international economic plan, in terms of groups of countries, creating for this purpose, one or several special groups of countries in the formation and the development of which the interested underdeveloped countries would participate? International aid is in any case only able to complement the effort which is made within the national framework. That is why it must not be given in an authoritarian way, but within the framework of a plan elaborated in common and in which all the interested countries participate. If the great industrialised countries do not know how to make the same effort for the humanisation of the world which they accept for its destruction, the underdeveloped countries will inevitably be drawn towards a purely national formation of capital by authoritarian means which will also incline them more and more to the side of Russia.

II. WHAT CAN WE DO?

We have seen the importance of the international problem of underdeveloped countries and have noted that at the present moment no answer has yet been provided. But at the moment we are responsibly involved with certain of the underdeveloped countries which are politically related to certain European countries and economically dependent for their development on relations with Europe. This is the case for the whole of Africa, which is only an extension of the European continent, separated from Europe by only thirteen kilometers of water at the straits of Gibraltar. Its evolution is unthinkable outside of a close solidarity with the whole of Europe. Two different problems are posed depending upon whether it is a question of North Africa, or Tropical Africa.

A. Tropical Africa

1. This part of Africa is sparsely populated, 4 to 5 persons to the square kilometer with groups which have remained without contact with each other for a long time. The only means of communication across virgin forests are the rivers but being cut by rapids at their mouths, they have for a long time constituted obstacles rather than a means of contact.

2. Tropical Africa is poor; its ridiculously small population does not, nevertheless, benefit by square kilometer cultivated; there are 450 inhabitants to the square kilometer because hardly 1% of the surface is presently cultivated. The soils are poor. The virgin forest asks nothing of the soil; it lives in a state of equilibrium, where the organic substances fall from the trees recreating the necessary humus; but when they are cut the soil is subject to erosion and to laterisation. The same soils would be completely unproductive in a temperate climate.

3. The methods of cultivation are retarded but nevertheless adapted to conditions of the African soil. It is the old medieval method of burning; a portion of the forest is burned; the land is cultivated for some years and then left for 15 or 20 years in bush fallow. This limits erosion, renews the soil a little but only permits the nourishment of a small population. Private acquisition of land is unknown; the only proprietors are the ancestors, represented by the chief of the village. The individual has the right of usage only on the parcel which he cultivates, and during the period he cultivates it. All the unoccupied lands belong to the village; that is why it is an error to bring together all the natives on the lands which they occupy as has been done in Kenya and in South Africa and to try to install the colonists on the lands in fallow. In this situation it becomes impossible for the natives to live. Each native village has need of ten times more land than it can cultivate effectively at a given moment. If one tries to mechanise agriculture or even simply to introduce the plow, one runs a risk, because of the shallowness of the arable layer, of bringing to the surface the sterile soils. On the other hand, if one seeks to increase production by diminishing the duration of fallow, one will diminish still more the size of the harvest.

4. Progress is nevertheless possible:

i. First of all even in the realm of the family economy. Culinary techniques are extremely backward and time is wasted in the preparation of foodstuffs. Twice the time is spent in the home husking the ears of corn, cleaning, and grinding, than in the agricultural process itself. Here, rapid technical improvements can be realized permitting liberation of an important part of the workers of the village.

ii. The use of fertilizers should permit a restoration of part of the fertility of the soil. Even more, irrigation makes possible an increased yield. For this it is necessary to follow a big programme of small works, digging wells everywhere, creating pumps, and ponds. The basis must be the transformation of the tribe into a cooperative, in order to develop modern rural chiefs through the popularisation of agriculture.

iii. If it is necessary to avoid over-development of dry farming the tree and bush, cultures such as coffee, tea, cocoa and rubber with a view to export, and especially rice in regions where flooding is possible, would permit an increase in the return from agriculture.

5. Industrialisation is possible to the extent that a permanent labour force has been made available thanks to agricultural progress. It can be developed in three directions:

i. Small local industry involving the modernisation of the rural artisan, within the framework of the present agricultural structure, by furnishing to the peasants the indispensable minimum tools and assuring the development of roads.

ii. Industry for the processing of export products: the shelling of peanuts, the preparation of the cocoa kernels, oil refineries, soap making, etc. But this has value only to the extent that the export of the products thus processed is assured by a public corporation, making long term contracts with the importing countries for the purchase of the goods and assuring the stability of the market.

iii. Finally heavy industry can be developed near waterfalls and deposits of bauxite, by means of great mixed corporations paying high salaries, assuring professional training, and creating modern community centres, with the whole body of indispensable social services and the conditions of healthy housing.
The worst that could happen would be an industrialisation through purely private means, uncoordinated, assuring no stability of employment, and bringing with it the crowding together in shanty towns of uprooted unskilled labour of which a part would always be unemployed. It is a question therefore of a complete plan of economic development providing a necessary equilibrium between agricultural development and industrial progress and putting the first emphasis on the renovation of the structure of the village.

B. <u>North Africa</u>

The problem here is particularly grave due to increasing over-population. This is especially the situation in Algeria, where the population of eight million muslims (compared with a million Europeans) is increasing at the rate of 200,000 per year. At the end of the century, the muslims will number 15 million. On the other hand, the excessive cultivation of the land brings about an erosion which results in the loss of a hundred hectares (one hectare equals approximately 2 $^1/_2$ acres) of land every day. This situation poses serious problems.

1. In contrast to equatorial Africa, North Africa offers little hope of agricultural development, with the single exception of Morocco, where, with irrigation, two million hectares could still be recovered. In Algeria, it is necessary to struggle against erosion, to develop small dams and power stations, to try by native protective societies to preserve the reserves of pasture. On the other hand, the production of grains should not be encouraged. It would be possible by mechanisation, to increase production, and reduce costs, but only by making use of large amounts of capital and the result would be to reduce still more the need for unskilled labour and to increase unemployment. It would seem necessary moreover, to ask whether the cultivation of vineyards in Algeria, as the predominant activity in a country where the population does not drink wine, and exporting it to France where there is already too much, should not be systematically reduced and

replaced on irrigated plains for market gardening, fruit tree cultivation, and tobacco, and especially through irrigated rice fields which would permit better nourishment of the population. Basic reforms are necessary in order to hold the natives on the land and in order to eliminate the great estates and to distribute the land to the native protective societies. But the result of all this effort will be minimal and will not even keep abreast of the annual growth of the population.

2. The fundamental problem is that of rapid industrialisation. This runs up against the difficulties of transport and a lack of power as the only mines are situated at a considerable distance from the populated regions. Priority must be given to investments involving the least expenditure of capital giving quick profits and providing small scale industrialisation within the framework of the village economy. It would be dangerous to spend considerable sums on the creation of a heavy industry, which would employ only a small amount of labour and would diminish the resources available for small scale industrialisation which must have priority. An exception may be envisaged for areas of the Sahara if considerable mineral resources are discovered.

3. Economic development in Africa demands enormous investments. Single nations like France, Belgium, or Great Britain are not able to provide them alone.

i. In order to insure industrial development it is important to eliminate the last remains of colonial conditions and above all begin the creation of an internal market. New African industries must, in the beginning, be protected against European competition by custom duties, import quotas or by subsidies. These must be temporary in order not to set up favoured industries in opposition to international competition, but they must exist during the period of development of these industries which will become economically efficient only when they have amortised their original capital and have found in their own country, as a consequence of their operation, a sufficiently large internal market. That is why it is necessary to get rid of the idea of a customs union which would continue to make of Africa a reserved hunting ground for metropolitan France and would foster a permanently high cost economy. It is however normal that if France makes great expenditures of investment financed by taxes and lowering net incomes, she should have an advantage over foreign countries which do not agree to make the same sacrifices. It is necessary therefore to find protection for new African industries with a preferential arrangement for metropolitan France.

ii. Since these investments are beyond the possibilities of any single nation, all Europe must be invited to participate; the countries participating in the investments receiving progressively preferential advantages corresponding to their relations with the territories in question. This participation could be insured by an agreement between the different governments, perhaps preferably by the organisation of supranational European groupings. In any case the investments with a particular goal such as prospecting for oil, the development of water power in tropical Africa, and the industrial combines proposed for the Sahara, must be integrated into the general plans for regional economic development worked out in common by representatives of the territories and the European investment organisations.

It is possible for example, to authorise the formation of a great international enterprise to build a dam on a great river to exploit the bauxite resources and to produce at a low profit aluminium for Europe if such enterprise also participates in the creation of the whole economic and social development of the region and particularly its agricultural development. Otherwise there would be created a social disequilibrium which would be extremely unfortunate. Depending on the extent to which Europe will be economically unified the different African territories must, through the intermediary of France, enter into Europe, but again the opening of their market must be accompanied by a systematic participation in investments proportional to the national income of each.

4. One also comes up against, in various forms depending on the country, the development of a nationalist movement of which the impulse and the spread appear inevitable.

i. We have seen that the economic development of an underdeveloped country demands enormous sacrifices from the population which must often be imposed by a dictatorial regime. A population will never allow these sacrifices to be imposed by an external power. It is perfectly possible that the native elite may be incompetent and corrupt and that at the beginning a more orderly and efficient evolution could be assured by a colonial administration. But it is a fact that the people will allow the necessary disciplines to be imposed only by an elite drawn from itself and not from the outside.

ii. There is the question of discovering this elite. In each of the territories two types are to be found: the traditional chiefs of the rural tribes, and the modern elite of the city, made up of educated persons coming from the universities. It is necessary to abandon the traditional policy of building upon the old feudal framework and to guard against the subordination by the urban minority of the rural masses, who are in the great majority. The fundamental problem is therefore to base economic development upon a modernised village where the tribe transforms itself little by little into a cooperative society, and to bring forth a new agricultural and artisan elite. It is thus by drawing from the two extremes, the land and the university that the two essential elements of a modern country may be constituted.

iii. Under the different forms, variable in time and adapted to the situation of each country, the following evolution ought to be sought:

- Constitution of the rural community with an autonomous municipal management, cooperative at its base with a municipal council to be elected by the natives and according to circumstances to be presided over by traditional chiefs, by the European administrator or by an influential person elected by the interested parties.

- The rural communities must be grouped into regional councils, elected by universal suffrage, through an electoral college.

- In each territory a governmental Council must exercise political autonomy with two houses, the one a board of electors elected by a single ballot, the other an economic chamber representing the different activities of the country; this second being able during a certain period to assure a parity between the European and the indigeneous groups.

- There must be a State council responsible to the council of the government presided over by the governor, representing the central power and of which the members, according to the circumstances and progressively, will be partly nominated, partly elected by the State council and as rapidly as possible entirely elected by it.

- At the same time and depending on the extent to which a beginning of industrialisation brings about the birth of a working class, systematic aid must be given to an indigenous trade union movement which should adapt its structure and its methods to the traditional forms of solidarity of its population. Too often, at the present time, the requirements that trade unionists leaders be French citizens results in the worker movement being linked to the administration and made suspect in the eyes of the workers. It is necessary in each case to study the local origins of the workers, begin with what is adaptable in their ancient traditions, tribe, clan, elders, and protective societies, to form the core of an indigeneous trade union movement which becomes the essential means for the democratic education of the newly rising worker class.

iv. It is important that having obtained internal autonomy, the areas, which today are still colonially ruled, do not let themselves fall into nationalism. Provincial nationalism has been the tragedy of Europe and has brought about the delay in its economic development and the misery of its perpetual wars. It is to be hoped that the new countries may be spared these errors and tragedies. It is evident that in the present world, none of them can be completely independant; their political autonomy and their liberties can be protected only by establishing for the major problems, their solidarity with the great blocs of nations. The French Union must be reconstituted in a federal manner, but it is impossible at the present moment to be precise about is structure. The mistake of the French constitution has been to try to arrest an evolution too soon. It is a question today of creating local liberties and by a series of special agreements to establish a federal structure which will be realized little by little. A senate of which half of the members would be elected by France, the other half by the different associated territories, could perhaps constitute the basis of this federal assembly. Perhaps certain countries like Tunisia and Morocco would prefer not to enter into this system and rather participate directly in a European union, taking immediately their place in the institutions created by this latter body. In any case, we have to recognise at the present moment, almost everywhere, the new awareness of national interest. This manifests itself in ways which are often harsh, unjust and ineffectual. In them moreover it is important to distinguish two different movements which confront

each other. This appears clearly in North Africa where under the influence of the Arab league, some are trying to reconstitute a reactionnary theocratic muslim nationalism, of which the result would be to increase horribly the misery of the population by reducing its standard of living to that of the Arab states which are at the present time independent but dominated by a feudal theocracy. The other movement is led by an intellectual elite formed in our universities. It demands local autonomy in the framework of a solidarity which will be perhaps that of the French Union, perhaps that of a European union. It is to the extent that people will know in time how to encourage this second tendency and to direct it in constructive ways, that the danger of a retrograde nationalism may be avoided.

III. THE UNDERDEVELOPED REGIONS OF EUROPE

We have studied in this report the problem of the underdeveloped countries outside of Europe and particularly that of the African regions. But two considerations must always be present in our minds.

1. Even in Europe we have alongside the industrialised countries, countries or whole regions entirely underdeveloped. This is the situation of Turkey, Greece, Yugoslavia and southern Italy. Europe can only contribute an effective aid in the economic development of these retarded regions through increasing international trade with them. In the future, the western countries in modernising their own means of transport, should make available to these countries their old rolling stock. Moreover, we know that our different programmes of electrification have reached the stage where the setting up of new power stations is done at an increasing cost. But there is available in Austria, in Yugoslavia, and in northern Norway, waterfalls which could be harnessed at a very low cost, and around which new and modern European industries could be established. Still, it would be necessary to set up free zones around the power station, with the goods being manufactured by a European-wide participation of capital as well as national capital, and being sold in all the areas of Europe free of tariff duties. We confront here one of the conclusions of the report on the common market. The integration of Europe in order to be effective assumes not only a very large area, but a positive policy of coordination of investments and of the orientation of production.

2. But just as there exists in Europe underdeveloped regions, there are also such regions even in each of our national territories. The recent success of the Poujade movement in the French elections has clearly demonstrated a fact of which we were up to now insufficiently aware. There exists two Frances: one in the north and the east progressing at a rate at least as rapid as that of the neighbouring countries; by contrast the other, southern France, is experiencing difficulties which are more and more insoluble and which are leading to the gradual impoverishment of its population.

We can only accept the European idea if we present at the same time a positive programme of developing modern industries in the regions presently underdeveloped, in order to furnish employment to the industrial labour force and a market to local agricultural production. Here also, a laissez-faire Europe is incapable of resolving the problems of the day. Europe can only be created in the framework of a positive policy of economic expansion and on planned production.